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Abstract

This research presents an assessment of the feasibility of Tasmanian stonefruit growers using the Internet to sell their product directly to consumers. In order to achieve this aim, a number of qualitative techniques were employed under an action research methodology. Although using the Internet to sell directly to consumers may not be the most efficient and effective method of selling stonefruit, it is suggested that there are ways in which the Internet could provide value.

INTRODUCTION

Many organisations are realising benefits from utilising the Internet to bypass intermediaries and market a variety of products directly to consumers (Kalakota & Whinston 1996). However, intermediaries play an important role in specific supply chains. Their necessity may be particularly reinforced in the case of certain perishable agricultural commodities, such as stonefruit and pome fruit. When dealing with such commodities, marketing directly to consumers using the Internet as a conduit may not be the most effective and efficient approach.

Product Suitability

The suitability of products for direct marketing via the Internet is reliant upon several factors. These include the amount of information required to satisfactorily describe a product, the degree to which the product can be satisfactorily described and the amount of time allowable between production and consumption. Most agricultural products being sold directly to customers via the Internet, such as bull semen, can be stored satisfactorily for an extended period of time. Products such as these are also suitable for Internet sales because viewing the product would not reveal more information (Gregor *et al.* 1997).

Disintermediation

Utilising the Internet to sell directly to consumers facilitates the bypassing of intermediary entities commonly found in a supply chain. This may provide benefits in numerous scenarios, but the important functions intermediaries perform for those above and below them in the supply chain must be noted. For example, wholesalers assist producers and importers by providing market information. They also assist retailers by providing prompt, low cost delivery (McCarthy *et al.* 1997).

Intermediaries may be particularly important considering the intrinsic nature of the stonefruit industry. There are large numbers of small, geographically dispersed growers, and large numbers of similarly dispersed consumers. Growers, who do not individually produce sufficient volumes, and consumers, who purchase only small amounts of produce, cannot influence the market price. Both are considered price takers. Intermediaries, in the form of wholesalers, perform an important pricing function and bridge the gap between growers and consumers (Matsuda *et al.* 1997).

Further, changes in consumer habits have resulted in a move towards small, diverse and customised niché markets. Consequently retailers purchase the broader ranger of commodities they are forced to handle at a market where all the commodities required are assembled These factors have contributed to the need for intermediary institutions to coordinate transactions relative to supply and demand (Kinsey 1994). “Eliminating wholesalers would not eliminate the need for the functions they provide, and it would be wrong to assume that direct channels would necessarily be more efficient” (McCarthy *et al.* 1997:412).

RESEARCH OBJECTIVES

Primary industry has traditionally been important to the Tasmanian economy and forecasts predict a rise in production. It is necessary for Tasmanian stonefruit growers to have an understanding of how specific technologies may be applied within their business processes. Thus, the objectives of this research were as follows:

> To discover how specific electronic commerce technologies could be employed by Tasmanian stonefruit growers; and,
>
> To empower the Tasmanian stonefruit growers with this knowledge and engender an understanding of the possible applications and limitations.

RESEARCH DESIGN AND METHODOLOGY

Due to the researcher's active participation in the environment under study, the subjective ontology associated with interpretivism was adopted. Achievement of the research objectives also required the participation of growers themselves. Hence an action research methodology was appropriate. The concept of action research stems from the work of social psychologist Kurt Lewin (Burnes 1996). The methodology associated with Lewin's model falls under the interpretivist approach (Acterberg *et al.* 1991). Bailey *et al.* (1991:504) offer the following definition:

> Action research is a process of systematically collecting data on an organisation, feeding it back to the members for action planning and evaluating results by collecting and reflecting on more data after the planned actions have been taken.

Data Collection and Analysis

Under action research the methods utilised for data collection are situationally dependent. The researcher asks questions, conducts interviews, distributes questionnaires, makes field notes and listens to the concerns of those involved (Robbins and Barnell 1994). However, in all cases these activities are carried out participatively (Burnes 1996). Data collected through field notes, personal conversations and interview transcripts were analysed using grounded theory to identify common themes (Strauss 1987).

Cyclical Approach

The process was one of learning for both the researcher and the growers. At all times growers were encouraged to discuss issues among themselves. The researcher's role was that of consultant and facilitator. Grower's queries regarding electronic commerce technologies were either answered immediately, or researched and the information provided at a later date. Each time information was fed back, new issues arose, and the process continued. For example, many growers originally thought that electronic commerce simply meant the ability to sell their fruit directly over the Internet. Growers were informed that this was only one application of electronic commerce. Once this had been established, growers asked how they could use specific technologies, and in particular, the Internet. This led to an investigation of the appropriateness of selling certain products via the Internet, and to the conclusion by the majority that stonefruit was not a product suited to such sales.

DISCUSSION

The are several reasons that products such as stonefruit are not suited to direct Internet retailing. They are asset specific in that they need to be marketed within a short time of harvesting (Gregor *et al.* 1997). Growers consider their product fails to have adequacy of description, as consumers like to see, and often touch, what they are buying. A further issue raised by growers is the logistics involved in getting small quantities of perishable produce to global consumers. On this basis it would appear that direct sales of fresh fruit to consumers are not viable. The Internet may be a useful tool for marketing value added products, such as dried fruit, but only a few growers are involved in the production of such commodities.

The very nature of the stonefruit industry also has an impact on the effectiveness of direct marketing. As indicated, the ability to facilitate disintermediation is one of the strengths of electronic commerce. However, the literature reveals strong arguments supporting the role of intermediaries in the marketing and distribution of certain agricultural products. Growers also emphasised that the industry is strongly based on personal relationships with intermediaries. Much effort is put into establishing and maintaining these relationships. The possibility of souring relationships forged long ago by harnessing the Internet's ability to disintermediate was considered risky by growers. Currently growers have no problem selling their fruit and are satisfied with the procedures in place. The consensus among growers was that should they attempt new marketing methods, and fail, they would be treated less favourably by their intermediaries when trying to reestablish business relationships.

While total disintermediation may not be advisable, growers could conceivably use the Internet to support the bypassing of wholesalers and deal directly with retailers. However, growers in general preferred to deal with wholesalers. The nature of the retail trade means purchasing agents change regularly, and it is difficult to maintain a relationship with them. Each new purchasing agent has different views and requirements. Pressures to compete in a corporate world means each new agent attempts to implement new agreements and constantly strive for a lower purchase price. Growers felt that in general they received a fairer market price when dealing with wholesalers.

The above argument does not preclude the Internet from being used to support relationships between entities in the industry, by improved communications and information transfer for example. This may occur between growers, intermediaries, customs, suppliers and transport companies. The Internet can further serve as a medium for relatively inexpensive mass and niché marketing, providing product information, and a useful means for receiving customer feedback to facilitate improvement (McCarthy *et al.* 1997). It is also noted that while the intermediary function may be necessary when dealing with certain commodities, the role of the intermediary may change. Electronic markets could conceivably replace the wholesaler, and in this case the Internet would become a very powerful and useful tool for the trading of agricultural products.

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